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RESERVES, TRADE, AND ECONOMIC GROWTH

by Carolee Santmyer

Global Review

During fiscal 1969, the growth in the value of world trade continued to outdistance the growth in total international reserves. As a result, the liquidity ratio (reserves as a percentage of imports) fell to slightly under 30 percent by the end of the year, down from the 33 percent on June 30, 1968, and the 32 percent at the close of calendar 1968 (table 1). World reserves on June 30, 1969, were over $2.9 billion or 4 percent higher than a year earlier. The value of world exports advanced by roughly 15 percent to $227.2 billion in fiscal 1969 and imports, at slightly under $238.7 billion, were up 14 percent (table 2). As a result the world trade deficit decreased to $11.5 billion in 1969 from $11.8 billion the year before.1/

Changes in the Composition of International Reserves

June 30, 1969 international reserves of the free world nations totaled $76.1 billion, which represents the sum of their reserve positions in the IMF, plus their foreign exchange and gold holdings.

The reserve position in the IMF of all Fund members totaled about $6.3 billion at the end of fiscal 1969, down over $ 0.3 billion from a year earlier. During this same period total foreign exchange holdings rose by almost $3.0 billion to roughly $30.9 billion.

In contrast to a drop in world monetary gold holdings of over $2.4 billion between the end of fiscal year 1967 and 1968, there was a $0.4 billion increase in these holdings by the end of fiscal 1969 (table 3). Demand for industrial gold remained strong last year while demand for speculative holdings and hoarding fluctuated with world monetary conditions. The price of gold ranged between $38 and $44 an ounce during fiscal 1969, but dropped to between $41 and $42 an ounce by the end of the year. (By early November 1969 it dropped below $40 an ounce.) Country holdings of gold on June 30, 1969, were up $0.3 billion from a year earlier.

Compared with a $2.5 billion loss the previous fiscal year, the U.S. gold supply improved $0.5 billion during 1969, reflecting a strengthening of the U.S. dollar in response to domestic austerity measures both promised and taken by the United States to curb domestic inflation and improve its balance of payments situation. U.S. gold holdings totaled almost $11.2 billion by the end of fiscal 1969.

1/ Theoretically, the value of total world exports should equal that of total world imports, but this does not occur due to statistical and other reasons. Differences in valuation and reporting methods--e.g., f.o.b. for exports vs. c.i.f. for imports--timing, plus trade imbalances between Communist countries and members of the International Monetary Fund (IMF), give the impression that a world trade deficit exists.

Note: References to "total" world gold and reserves are exclusive of the Sino-Soviet countries and Cuba.

In anticipation of a French currency devaluation during fiscal 1969, francs were exchanged for gold and other currencies and between June 1968 and June 1969, France's gold holdings shrank by $1.2 billion. On the other hand, demand for the German mark rose in expectation of a currency revaluation in FY 1969 and Germany's gold holdings were up $0.3 billion by June 1969. Italy and South Africa each held $0.3 billion more in gold by the close of fiscal 1969. Portugal gained $0.1 billion in gold and Canada's holdings dropped by $0.1 billion by year's end.

The two-tier gold system is still in effect. It was established by the free world's major countries in March 1968 in an attempt to counteract the pressure to raise the official gold price. With few exceptions, most countries appear to be abiding by the agreement to purchase only gold held by Central Banks when the agreement was made. By keeping all other gold supplies outside of the central banking systems and subject to open market supply-demand conditions, it was hoped that the price of gold on the open market would remain close to the $35-an-ounce price maintained by the central banking systems. The two-tier system has been relatively successful because free market prices have not skyrocketed and pressure for increasing the official price for gold has subsided. The impending issuance of Special Drawing Rights also dampened gold speculator's expectations.

Special Drawing Rights

A new international reserve asset, Special Drawing Rights, will come into being on January 1, 1970, when the first allocation of SDR's is made to IMF members who voted to participate in the Special Drawing Account. Each participant's allocation will be expressed as a percentage of the country's IMF quota on the day before the allocation date. The following allocations are scheduled over the next 3 years: $3.5 billion on January 1, 1970; $3.0 billion on January 1, 1971; and $3.0 billion on January 1, 1972. SDR's are the means by which world monetary authorities hope to ease the world's liquidity problems. By October 1969, 74 out of a total of 111 IMF members had voted to participate in the Special Drawing Account.

Development Lending

At the 1969 annual meeting of the World Bank and its associate institutions, the International Finance Corporation and the International Development Association, World Bank President Robert S. McNamara reported that financing of development projects by the group during fiscal year 1969 had increased 87 percent from the previous year. In fiscal 1969, new loans, credits, and investments totaled $1,877 million, an $874 million increase over 1968. World Bank borrowing also increased to $1¼ billion in fiscal 1969 to improve liquidity and finance expanded activity; Bank profits for 1969 reached $172 million and 1970 profits are expected to climb to $200 million. Loans, credits, and investments during fiscal 1970 are projected at approximately $2¼ billion with greatest emphasis being given to new areas and sectors of lending.

A 5-year program, covering fiscal years 1969 through 1973, has been initiated. Under this program, the World Bank Group intends to lend roughly $12 billion. This would be about twice as much as it lent over the previous 5 years and roughly equal to the amount lent during the 22 years it has been in operation.

Table 1.--International gold and foreign exchange reserves of the free world 1/

Country and area	Reserves			Change in reserves, June 1968-June 1969		Gold component, June 30, 1969 2/	Ratio of reserves to imports 3/
	June 30, 1967	June 30, 1968	June 30, 1969				
	Mil. U.S. dol.	Mil. U.S. dol.	Mil. U.S. dol.	Mil. U.S. dol.	Percent	Percent	Percent
ALL COUNTRIES, Total 4/	71,310	73,160	76,105	2,945	4.0	59.4	29.5
I. INDUSTRIAL AND OTHER DEVELOPED COUNTRIES 4/	58,699	59,703	61,574	1,871	3.1	66.9	29.1
United States	14,274	14,063	16,057	1,994	14.2	79.1	38.4
Belgium	2,457	2,532	2,211	-321	-12.7	77.3	21.8
France	6,688	5,517	3,611	-1,906	-34.5	98.4	19.3
Germany, Federal Rep. of	7,793	8,883	10,158	1,275	14.4	58.4	41.5
Italy	4,969	5,382	5,149	-233	-4.3	71.2	41.2
Netherlands	2,471	2,477	2,366	-111	-4.5	88.9	21.5
European Economic Community (excluding Luxembourg)	24,378	24,791	23,495	-1,296	-5.2	72.2	30.6
Austria	1,385	1,495	1,413	-82	-5.5	61.9	51.0
Denmark	543	468	372	-96	-20.5	23.9	9.7
Norway	601	693	656	-37	-5.3	16.2	23.4
Portugal	1,082	1,242	1,362	120	9.7	64.5	121.9
Sweden	1,007	955	591	-364	-38.1	58.5	10.1
Switzerland	3,239	3,400	3,220	-180	-5.3	82.1	62.0
United Kingdom	2,834	2,683	2,443	-240	-8.9	60.3	12.0
European Free Trade Association	10,691	10,936	10,057	-879	-8.0	63.8	24.0
Australia	1,542	1,502	1,696	194	12.9	28.7	38.9
Canada	2,630	2,703	2,953	250	9.2	40.2	19.2
Finland	188	323	295	-28	-8.7	29.2	15.2
Greece	260	253	268	15	5.9	57.8	15.7
Iceland	49	31	32	1	3.2	3.1	24.8
Ireland	469	386	542	156	40.4	24.4	35.4
Japan	2,099	2,001	3,129	1,128	56.4	23.8	21.7
New Zealand	123	169	165	-4	-2.4	0.6	17.8
South Africa	678	1,233	1,557	324	26.3	81.2	48.1
Spain	990	958	915	-43	-4.5	85.8	21.8
Turkey	116	123	149	26	21.1	65.1	18.5
Yugoslavia	112	131	161	30	22.9	31.7	7.4
II. LESS DEVELOPED COUNTRIES 4/	12,610	13,455	14,530	1,075	8.0	27.9	31.0
Latin America							
Central American Common Market 5/	240	246	232	-14	-5.7	19.8	(c)25.3
Argentina	670	726	722	-4	0.6	31.6	(a)56.8
Bolivia	37	30	35	5	11.7	31.4	n.a.
Brazil	273	212	377	165	77.8	15.1	(a)19.0
Chile	142	126	254	128	101.6	18.5	(c)32.7
Colombia	73	117	164	47	40.2	17.7	(b)27.2
Dominican Republic	38	35	36	1	2.9	8.3	15.3
Ecuador	66	61	50	-11	-18.0	44.0	n.a.
Haiti	2	3	4	1	33.3	---	(b)10.5
Jamaica	121	143	142	-1	-0.7	4.9	29.3
Mexico	591	673	n.a.	n.a.	n.a.	n.a.	n.a.
Paraguay	15	12	11	-1	-8.3	36.4	(a)13.6
Peru	124	91	155	64	70.3	16.1	24.7
Uruguay	195	180	197	17	9.4	69.0	(a)120.8
Venezuela	760	838	851	13	1.6	56.9	(d)51.3

Continued

Table 1.--International gold and foreign exchange reserves of the free world 1/--Continued

Country and area	Reserves			Change in reserves, June 1968-June 1969		Gold component, June 30, 1969 2/	Ratio reserves to imports 3/
	June 30, 1967	June 30, 1968	June 30, 1969				
	Mil. U.S. dol.	Mil. U.S. dol.	Mil. U.S. dol.	Mil. U.S. dol.	Percent	Percent	Percent
Middle East							
Cyprus	98	140	164	24	17.1	11.6	81.6
Iran	277	310	295	-15	-4.8	53.6	(a)19.2
Iraq	278	453	452	-1	-0.2	47.1	(b)111.6
Israel	n.a	745	542	-203	-27.2	8.5	39.5
Jordan	236	250	263	13	5.2	12.9	148.6
Kuwait	200	180	178	-2	-1.1	74.7	(b)28.6
Lebanon	346	320	324	4	1.2	89.5	n.a.
Saudi Arabia	861	763	749	-14	-1.8	18.8	n.a.
United Arab Republic	231	175	209	34	19.4	44.5	(a)41.0
Asia							
Afghanistan	46	42	41	-1	-2.4	80.5	n.a.
Burma	168	154	139	-15	-9.7	60.4	(a)182.9
Ceylon	50	49	39	-10	-20.4	---	12.3
China, Republic	392	416	440	24	5.8	18.4	34.0
India	615	720	838	118	16.4	29.0	44.4
Korea	306	380	433	53	13.9	0.7	23.7
Malaysia	493	463	614	151	32.6	16.0	55.5
Pakistan	176	195	316	121	62.1	17.1	(a)32.1
Philippines	169	187	138	-49	-26.2	37.7	10.7
Thailand	1,019	1,051	1,024	-27	-2.6	11.3	(a)83.3
Vietnam	373	352	224	-128	36.4	n.a.	(a)27.5
Africa							
Congo (Kinshasa)	20	125	n.a.	n.a.	n.a.	n.a.	n.a.
Ethiopia	83	74	69	-5	-6.8	20.3	45.1
Ghana	109	111	109	-2	-1.8	5.5	(a)32.2
Ivory Coast	67	74	82	8	10.8	2.4	(a)22.3
Kenya	72	88	134	46	52.3	3.0	(b)40.2
Libya	544	696	924	228	32.8	9.7	(a)147.8
Morocco	86	83	128	45	54.2	16.4	(b)23.3
Nigeria	159	125	135	10	8.0	23.0	22.1
Senegal	29	20	18	-2	-10.0	11.1	(b)10.0
Sudan	53	50	48	-2	-4.0	---	(a)15.8
Tanzania	64	74	82	8	10.8	4.9	(b)37.6
Togo	22	24	26	2	8.3	3.8	(a)40.0
Tunisia	26	29	30	1	3.4	13.3	12.0

---Indicates figure is zero or less than half of the last digit shown.
n.a. = Not available.
1/ Includes reserve position with the International Monetary Fund.
2/ Gold tranche position and lendings to the Fund (reserve position in the Fund) included with gold.
3/ Ratio of June 30, 1969, reserves to second quarter 1969 imports (at annual rates) except where denoted by letters which indicate imports for the following periods: (a) first quarter 1969, (b) fourth quarter 1968, (c) third quarter 1968, (d) second quarter 1968.
4/ Includes some countries not separately shown.
5/ Includes Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua.

Source: International Monetary Fund, International Financial Statistics, October 1969.

Table 2.--International trade of the free world, fiscal years 1968 and 1969

Country and area	Exports (f.o.b.)		Change		Imports (c.i.f.)		Change		Trade balance	
	1968	1969	1967 to 1968	1968 to 1969	1968	1969	1967 to 1968	1968 to 1969	1968	1969
	Mil. U.S. dol.		Percent		Mil. U.S. dol.		Percent		Mil. U.S. dol.	
WORLD TOTAL	197,525	227,175	5.4	15.0	209,350	238,675	5.4	14.0	-11,825	-11,500
I. INDUSTRIAL AND OTHER DEVELOPED COUNTRIES	156,488	182,075	5.2	16.4	166,822	192,602	6.2	15.5	-10,334	-10,527
United States	32,617	35,710	4.0	9.5	31,718	36,815	10.8	16.1	899	-1,105
Belgium-Luxembourg	7,452	8,981	6.3	20.5	7,552	9,042	4.6	19.7	-100	-61
France	11,570	14,333	4.2	23.9	12,464	16,291	1.4	30.7	-894	-1,958
Germany, Federal Rep. of	22,608	26,847	6.8	18.8	18,480	22,447	6.1	21.5	4,128	4,400
Italy	9,236	11,261	9.5	21.9	9,937	11,382	8.4	14.5	-701	-121
Netherlands	7,684	9,098	9.1	18.4	8,695	10,036	6.7	15.4	-1,011	-938
European Economic Community	58,550	70,520	6.9	20.4	57,128	69,198	5.3	21.1	1,422	1,322
Austria	1,879	2,160	7.9	15.0	2,372	2,621	2.2	10.5	-493	-461
Denmark	2,574	2,837	4.4	10.2	3,139	3,497	1.1	11.4	-565	-660
Norway	1,825	2,116	10.8	15.9	2,737	2,710	3.2	-1.0	-912	-594
Portugal	717	784	11.3	9.3	1,023	1,022	-1.8	-0.1	-306	-238
Sweden	4,630	5,315	3.6	14.8	4,863	5,489	5.8	12.9	-233	-174
Switzerland	3,674	4,269	8.3	16.2	4,223	4,824	3.5	14.2	-549	-555
United Kingdom	14,122	16,270	-7.2	15.2	18,084	19,546	5.1	8.1	-3,962	-3,276
European Free Trade Association	29,421	33,750	-0.5	14.7	36,441	39,709	4.1	9.0	-7,020	-5,959
Australia	3,410	3,773	0.6	10.6	4,113	4,354	8.6	5.9	-703	-581
Canada	11,880	13,905	10.6	17.0	11,510	13,580	7.0	18.0	370	325
Finland	1,567	1,744	-0.4	11.3	1,635	1,746	-7.0	6.8	-68	-2
Greece	482	491	12.4	1.9	1,225	1,633	0.7	33.3	-743	-1,142
Iceland	86	87	-31.2	1.2	144	129	-12.2	-10.4	-58	-42
Ireland	790	838	5.5	6.1	1,099	1,300	-0.7	18.3	-309	-462
Japan	11,397	14,428	12.1	26.6	12,334	13,637	16.4	10.6	-937	791
New Zealand	967	1,106	-4.2	14.4	821	952	-24.6	16.0	146	154
South Africa	2,117	2,126	16.8	0.4	2,823	2,997	-3.4	6.2	-706	-871
Spain	1,471	1,761	11.4	19.7	3,361	3,758	-4.1	11.8	-1,890	-1,997
Turkey	524	509	6.1	-2.9	759	777	8.9	2.4	-235	-268
Yugoslavia	1,215	1,339	-3.3	10.2	1,710	1,998	3.9	16.8	-495	-659
Sum of others--Australia to Yugoslavia	35,906	42,107	8.6	17.3	41,534	46,861	5.8	12.8	-5,628	-4,754
II. LESS DEVELOPED COUNTRIES	41,050	45,075	5.5	9.8	42,550	46,100	2.5	8.3	-1,500	-1,025

Source: International Monetary Fund, International Financial Statistics, October 1969.

Price Movements

The World Bank's commodity price indexes indicate that average export prices for products sold by the developed countries were practically unchanged between FY's 1968 and 1969. Nevertheless, the total value of their exports rose 16.4 percent, reaching $182 billion in FY 1969. This indicates a substantial increase in the volume of products exported by these countries. Also, according to the indexes, prices received by less-developed countries (LDC's) for their exports were up 1 percent between FY's 1968 and 1969, while the total value of their exports climbed 9.8 percent to $45 billion. Once again this indicates a substantial growth in export volume. The 15-percent increase in the value of total world exports between 1968 and 1969 was due almost entirely to a larger volume of trade by all areas of the free world.

Primary products account for most of the exports from less-developed countries and a number of these products registered price changes between June 31, 1968, and the like 1969 date. For instance, cacao, copper, groundnuts, hemp, hides, jute, rubber, lead, sugar, tin, sisal, and cotton all realized significant price increases. In fact, it was the second consecutive year of price increases for cacao, cotton, and hemp. On the other hand, price declines were experienced by coconut oil, coffee, copra, linseed oil, rice, and tea, but coffee was the only product in this group with a price drop in both 1968 and 1969.

Area and Country Data

The world's developed countries held almost $61.6 billion (81 percent) of total world reserves at the close of fiscal 1969. This is a $1.9-billion increase over the previous year's level. Reserves of less-developed countries climbed by $1.1 billion to total $14.5 billion by June 30, 1969, compared with the $845-million improvement between 1967 and 1968. Only two of the less-developed countries had reserve losses in fiscal 1969 exceeding $50 million, and only Vietnam's losses were greater than 30 percent of its respective 1968 reserves. Israel's reserves dropped by $203 million and Vietnam's decreased $128 million.

In fiscal 1969, less-developed countries supplied about a fifth of the world's exports and took nearly that proportion of total world imports. The trade deficit of the LDC's continued to improve for the second straight year and reached $1.0 billion in fiscal 1969, compared with $1.5 billion in 1968 and $2.6 billion in 1967. In contrast, the trade deficit of the developed world worsened for the second consecutive year, climbing to $10.5 billion in 1969 from $10.3 billion in 1968 and $8.3 billion the year before.2/

Industrial and Other Developed Countries

The European Economic Community (EEC) will probably realize a 7.5-percent rate of real economic growth in calendar 1969, up from the 5.4 rate originally estimated and the previous year's expansion of 5.5 percent (table 4). An 8.0 percent rate of economic growth is projected for both France and Germany in

2/ See footnote on page 2.

Table 3.--Major changes in monetary gold holdings 1/

Country or institution	Changes, June 30, 1968 to June 30, 1969
	Billion US dollars
France	-1.2
Canada	-0.1
Portugal	0.1
South Africa	0.3
Italy	0.3
West Germany	0.3
United States	0.5
Country holdings, total	0.3
World total, including institutions	0.4

1/ Excluding IMF gold tranche position and lendings to the IMF.

Source: International Monetary Fund, International Financial Statistics, October 1969.

Table 4.--Growth in real output, selected countries, 1967-69

Country	1967	1968	1969 forecast
	Percent		
France	4.5	4.2	8.0
West Germany	0.2	7.0	8.0
Italy	6.4	5.7	7.0
Netherlands	5.6	5.5	5.5
B.L.E.U.	3.4	4.0	5.5
EEC	3.3	5.5	7.5
Austria	3.0	4.1	7.0
Canada	3.3	4.8	4.0
Japan 1/	12.7	14.3	14.2
United Kingdom	1.8	3.5	1.9
United States	2.5	4.9	2.7

1/ Fiscal year ending March 31 of following year.

1969. Relative to 1968 growth, this represents a percentage point gain for Germany and a 3.8-point increase for France. Real output in Italy in 1969 should climb by 7.0 percent compared to a growth rate of 5.7 percent in the past year. Growth in the Netherlands will continue at the 1968 rate of 5.5 percent and Belgium-Luxembourg should also realize a growth rate of 5.5 percent in 1969.

According to present estimates, real output in the United States and the United Kingdom during 1969 will grow at only 2.7 and 1.9 percent, respectively.

Japan's economic growth rate of 14.3 percent in 1968 far outpaced gains of other world economies, and it is expected to expand by at least 14.2 percent in 1969. By the close of fiscal 1969, the country's reserves had risen to nearly $3.1 billion, up from $2 billion a year earlier.

The nation's balance-of-payments surplus stood at roughly $282 million in June 1969 but dropped to only $120 million in July because of a deterioration of long-term capital transactions. Net inflows from foreign investments fell; exports increased at a slower pace than imports; and import financing was switched primarily from foreign to yen funds. The shift in import financing slowed substantially in August 1969, partially as the result of rising internal money rates and a general tightening of the financial market; therefore, in September, the Bank of Japan encouraged Japanese foreign exchange banks to continue the "yen shift"--to repay their Eurodollar loans and shift their financing to the domestic market. In this context, the Bank of Japan provided about $100 million in yen funds to 12 foreign exchange banks to enable them to purchase U.S. dollars and repay Eurodollar debts.

The Japanese government has relaxed controls on foreign exchange transactions (especially on yen-based investments and on remittances of profits of foreign businesses based in Japan) on "yen-based shares", and on nonresident yen deposit accounts. Restrictions on remittances of current incomes of foreign nationals were also removed and the maximum value of assets which can be taken by a person emigrating from Japan was lifted from $10,000 to $50,000.

Japan's exports, worth $14.4 billion in fiscal 1969, were more than $3 billion higher than a year earlier; its imports valued at $13.6 billion had climbed by slightly over $1.3 billion. Through its foreign aid program, Japan hopes to strengthen its export markets in Southeast Asia. The nation's aid to developing countries amounted to more than $1.0 billion in 1968, a 22.7-percent increase from the preceding year. Such aid is expected to increase substantially in the 1970's.

The United States projected 2.7-percent growth rate for real output during 1969 is substantially under last year's 4.9 percent rate. International reserves totaled $16.1 billion on June 30, 1969, up $2 billion from the year-earlier position. But the United States ended the 1969 fiscal year with a trade deficit of $1.1 billion in contrast to a trade surplus of $899 million the year before. Exports were valued at over $35.7 billion and imports at $36.8 billion (c.i.f.) in 1969. (See p. 16 for a detailed discussion of U.S. trade).

Despite the general growth in the economy during fiscal 1969 and early 1970, the United States experienced a decrease in liquidity; nevertheless, insolvencies through August 1969 had not averaged above those of the previous year. It is hypothesized that banks and other credit institutions generally hesitated to press too hard on past-due accounts because they did not wish to chance precipitating a general decline in business confidence. However, if austerity measures designed to slow the economy in 1970 result in substantial profit declines and more companies operating in the red, there may eventually be an upswing in business failures.

Fiscal 1970 began with the economy still moving ahead at a slower rate but with inflationary pressures remaining. Nonfarm employment, pay scales, and personal income advanced. Industrial production was up, and retail sales advanced after 2 previous months of relative stability; however, there was some weakening in domestic car sales. Monetary and fiscal policies aimed at curbing inflation were still in effect in November 1969. The President had urged Congress to extend the surtax at the rate of 5 percent from January through June, to repeal the 7-percent investment tax credit, and to forestall scheduled reductions in auto excise taxes. Together, the financial returns from these three items were estimated to account for roughly 76 percent of the administration's projected fiscal 1970 budget surplus of $5.9 billion.

The United Kingdom's calendar 1969 growth rate is not expected to exceed 1.9 percent. International reserves on June 30, 1969, were slightly over $2.4 billion, down $240 million from the end of the previous year. But the country's trade deficit of $3.3 billion had improved $686 million from that of 1968. Exports in fiscal 1969 totaled $16.3 billion. In August and September 1969, the United Kingdom had "visible" trade surpluses of $96 million and $62 million, respectively. Indications are that this surplus condition may not continue mainly because almost 50 percent of the national advantage with regard to export competitiveness stemming from the November 1967 devaluation of the pound has been realized. Also, future demand for British exports may be less forceful as world demand in general cools down from the exceptional trade tempo of the past year.

The country's controversial import deposit scheme is due for renewal on December 4, 1969, when the statutory regulations expire. The government has announced its intention to extend it, but at a reduced rate. According to a cross-section survey of British importers, the scheme had some initial success in curbing imports, but the overall reduction in volume of goods chargeable to the import deposit was not very large. In general, they reported, the scheme to be more expensive and burdensome than worthwhile.

In the second quarter of calendar 1969, the U.K.'s balance of payments showed a surplus of $31 million, down from a $206-million surplus in the first quarter. The current account surplus totaled $180 million as the trade deficit was reduced. Net invisibles were at a high level along with net receipts from interest, profits, and dividends. Seasonally adjusted, the long-term capital account showed a surplus of $60 million in second quarter 1969, versus a $168-million deficit in the first quarter. Most of the change was due to the improvement in the private capital account. Private short-term capital transactions in the second quarter were reported to be negative.

Compared with the previous year, Germany's reserves by end of fiscal 1969 increased by almost $1.3 billion, reaching $10.2 billion. Exports during fiscal 1969 rose $4.2 billion to over $26.8 billion; imports at roughly $22.4 billion had increased about $4.0 billion. The trade surplus climbed from $4.1 billion in fiscal 1968 to $4.4 billion in 1969. The country's rate of real growth is estimated at 8.0 percent in calendar 1969, up from the 7.0 growth rate achieved during the preceding year and the 0.2 percent of 1967.

The long anticipated revaluation of the German mark occurred on October 26, 1969. According to the IMF, the mark's new parity peg is 3.66/U.S. $, which represents a revaluation of 8.5 percent from the old rate of 4.00 marks/U.S. $. In terms of U.S. dollars per mark, one mark now equals $.273 versus $.250 before revaluation; this is a change of 9.29 percent. After taking profits in the currency market immediately after revaluation, speculators began purchasing British pounds, Dutch guilders, Belgian francs, and French francs. Partly because they import large quantities of German products which became more expensive after revaluation, Belgium, Italy, the Netherlands, Switzerland, and Austria reportedly gave some thought to possible parity changes in their own currencies. All decided against this action.

Following the October 26 revaluation of the German mark by 8.5 percent, the EEC began negotiations to compensate or protect German farmers from the adverse effects of revaluation. It was agreed that the interim system of import duties equivalent to the devaluation would continue for 6 weeks. After that, German farm prices for Common Agricultural Policy products will drop by 8.5 percent since the unit of account was left unchanged. Compensation payments will be paid to German farmers rather than protecting them by import duties and export subsidies. The payments will be financed in part by increasing the tax on value added on farm products to 8.5 percent. This move, which is equivalent to a border tax on imports, means that prices to consumers remain unchanged. The EEC will temporarily contribute some funds, up to an estimated $150 million over a 2 year period, toward the amount needed to compensate German farmers. Still to be resolved are what products will be subject to the increased tax on value added and how the total amount of compensation to German farmers will be financed.

After France devalued its currency by 11.11 percent in August 1969, many of the countries in the franc area followed suit. Nevertheless, the franc continued under pressure after the devaluation since France still faced an unresolved labor situation, inflation, and the movement of funds across its borders. However, the revaluation of the mark has since eased the pressure on the franc and its position in the money markets has improved. The Bank of France announced that, by October 9, 1969, international reserves had declined to $3,281.5 million and that the French franc was trading at a spot rate of slightly over 17.89 U.S. cents compared with the base intervention point of 17.87 U.S. cents. At the close of fiscal 1969, international reserves dropped to about $3.6 billion as opposed to $5.5 billion a year earlier and $6.7 billion in 1967. In September 1969, the IMF approved a 12-month standby arrangement for France to draw $985 million (which is equal to that country's total Fund quota). France's net purchases from the Fund amounted to about $244 million in September.

The nation's real output in calendar 1969 is expected to grow by 8.0 percent, almost double the 1968 rate. In September 1969, the government of France took additional steps to temper the growth in domestic demand while encouraging household savings, tightening credit, and holding down price increases. In addition, the total 1969 budget deficit was cut during the year to less than $1 billion and the 1970 budget is said to be in equilibrium. To help its budget situation, the government is trying to advance the payment date of corporate taxes, reduce tax depreciation allowances, and introduce additional taxes on banks, automobiles, and alcoholic beverages. There will, however, be some tax relief for households and individuals. Because of the high rate of economic growth in 1969, tax revenues are expected to rise rapidly.

French exports were valued at $14.3 billion in fiscal 1969, up $2.8 billion from the year before; however, imports climbed by $3.8 billion to almost $16.3 billion. As a result, the trade deficit increased from $894 million in 1968 to $1.96 billion in 1969.

For the first half of 1969 Italy's balance of payments registered an overall deficit of almost $898 million in contrast to a $42.2-million surplus in the first half of 1968. The 1969 deficit resulted from a larger trade deficit (causing a decrease in the current account surplus) and an increase in the net outflow of private capital in response to the rise in world interest rates.

The country's international reserves dropped from $5.4 billion in June 1968 to slightly over $5.1 billion a year later. In contrast to the larger trade deficit in the first half of calendar 1969, the trade deficit for total fiscal 1969 dropped to $121 million, down substantially from the $701-million deficit of 1968. Exports totaled just under $11.3 billion in 1969, and imports were valued at almost $11.4 billion.

Real ouput in Italy should climb by 7.0 percent in calendar 1969, or by 1.3 percentage points more than it did in 1968. Despite economic expansion, Italy's overall unemployment rate between July 1968 and July 1969 declined only slightly as persons employed in agriculture moved from the rural areas to the cities and many became, at least temporarily, unemployed. Also, some service people have been displaced by the continued modernization of Italy's economy.

Less-Developed Countries

Almost 85 percent of the $1.1-billion growth in international reserves of less-developed countries between 1968 and 1969 was accounted for by Brazil, Chile, India, Malaysia, Pakistan, and Libya. Reserves in each of these countries rose by over $110 million; Libya topped the list with an increase of $228 million. During this period, Chile had the largest percentage gain in reserves. They climbed from $126 million as of June 30, 1968, to $254 million a year later. Only two less-developed countries, Israel and Vietnam, had reserve losses greater than $50 million during fiscal 1969. Recent economic developments in a number of the LDC's that are participants in the U.S. Food for Peace (P.L. 480) Program are reviewed below.

Foreign reserves of Israel deteriorated to $542 million on June 30, 1969, from $745 million at the end of the previous year. Exports in fiscal 1969 were valued at $680 million, up $88 million from the past year's shipments;

imports, valued at $1.2 billion, were up $285 million. Israel hopes to reverse the decline in its reserves and improve its balance-of-payments situation. To accomplish this, it has instigated a tight money policy which has reduced the rate of growth of the money supply, as well as the liquidity of the banking system, and forced interest rates up during 1969. This tight money policy is to be continued until there are signs of improvement in the balance of payments.

According to official sources, the balance-of-payments deficit is expected to top $200 million in 1969, up from the $120-million deficit of 1968. This enlargement is the result of a deterioration in both the current and capital accounts as the trade deficit continued to increase while the net surplus in services and transfers and in medium-and long-term capital movements decreased.

The economy of Israel has prospered since the June War of 1967. For example, the country's GNP (in constant 1967 prices) totaled over $3.9 billion in 1968, or 14 percent above the previous year. Advancement has been greatest in the areas of investment and exports. Because of increased security requirements, consumption by the public sector remained high in 1968. Concurrently, private consumption resumed its prewar growth level. In addition, the country had relatively full employment; nevertheless, prices and wages were fairly stable in 1968. Balanced growth and stability was harder to attain in 1969 with most of the surplus capital and labor already absorbed. But investment, building, and the industrial and transportation sectors should have expanded significantly.

By the end of fiscal 1969, Brazil's international reserves had grown to $377 million, an increase of $165 million over the previous year. Exports, valued at $2 billion in fiscal 1969, were up $261 million from those of 1968, mainly because of good crops and the country's export incentives and monetary policy. As an incentive to exports, a tax credit of 15 percent of the value of manufactured exports is allowed; also, an adjustable exchange rate system became effective August 1968, permitting frequent small devaluations of the cruzeiro at regular intervals. The latter encourages trade by discouraging currency speculation.

From August 1968 to August 1969, the total devaluation amounted to 14 percent. The present exchange rate system has little effect on the country's large coffee exports or on wheat and petroleum imports. Coffee is marketed under the price mechanism of the International Coffee Agreement and wheat and petroleum imports are subject to government import policies. Coffee as a percent of total exports declined from about 50 percent in 1962 to about 40 percent in 1968. During the first 7 months of 1969, Brazil's coffee exports to the United States were sharply limited by the U.S. dock strike; lower world coffee prices also cut into returns from coffee sales. Expressed at an annual rate, imports for the first 3 quarters of 1969 totaled $2.2 billion compared with $1.8 billion in the like 1968 period.

Brazil's GNP in 1969 is expected to rise 7 percent, as against 6 percent in 1968, largely because of an increase in industrial production and the utilization of idle capacity. Price controls appear to have been effective during the first half of 1969; prices rose less than 9 percent, or half of the 1968 rise during the same period. For the total year, the rate of inflation is expected to approach 20 percent.

Foreign debt amounted to over $4 billion by September 1969, but the balance of payments during the first half of the calendar year registered a $190-million surplus, compared with the $4-million deficit in the first half of 1968.

Unofficial trade figures for Ecuador indicate that the value of exports equaled that of its imports (f.o.b.) in calendar 1968 but that a trade deficit developed during the first 4 months of 1969 as sales for the country's three major exports (bananas, cacao, and coffee) declined. Even though banana sales may accelerate in the last part of 1969 due to hurricane and flood damage to the crop in Honduras, total exports for the year are not expected to reach the 1968 level. A continuing decline in banana exports is projected for 1970, although some recovery is expected in cacao and coffee sales. Ecuador is the world's largest exporter of bananas but it is receiving increased competition from Central American producers.

Demand for imports has been rising and to restrain it the government has enacted credit controls and import restrictions. For example, permits are required for all imports and the cash reserve requirement of the nation's banks has been increased from 25 to 30 percent.

Ecuador's economy in 1968 was adversly affected by a drought plus the uncertainty surrounding the Presidental election; the money supply increased by about 11 percent but this additional liquidity did not cause prices to rise more than 3½ percent. There was an increase in both foreign and domestic investment in 1968 as well as a growth in local savings.

The economy in 1969 will probably realize some growth even though expenditures for development programs were reduced to cope with a projected 1969 budget deficit. Additional revenue from improved tax collections, new petroleum contracts, new levies, and increased government loans and bond issues was anticipated for 1969. Some funds received from oil contracts are being directed toward infrastructure improvement and agricultural diversification. The country hopes to direct production from bananas to oilseeds, timber, African palm, manioc, rice, and livestock. An agricultural marketing company, created to improve marketing methods in Ecuador, is encouraging industrial development with the help of loans from international agencies. Industrial growth has contributed significantly to the expansion of imports. The country's reserves at $50 million on June 30, 1969, had dropped by 18 percent from those of June 30, 1968.

India's wider use of improved agricultural technology, fertilizers, and better seed resulted in a substantial improvement in crop yields in 1968/69 despite the dry weather that persisted during the growing season. The foodgrains harvest that year amounted to more than 95 million tons; with favorable weather conditions, future foodgrain output could be much higher.

Mainly because of the improvement in the agricultural sector, India's import level declined from over $2.6 billion in fiscal 1968 to roughly $2.2 billion in fiscal 1969. Exports, on the other hand, rose from roughly $1.6 billion to almost $1.9 billion, reflecting sharp increases in non-traditional exports, especially in products of the metal-working industries. Traditional

exports of jute manufactures and tea declined in fiscal 1969. India's reserves at $838 million on June 30, 1969 were $118 million higher than those at the close of fiscal 1968.

Economic growth during India's fiscal year 1968/69 (April-March) was 3.5 percent, as measured in constant 1960/61 prices. The money supply rose by over 7 percent but consumer prices during the first 3 quarters of the 1968/69 year were at about the same level as in the previous year. However, the Reserve Bank of India reported that by June 1969 sharp price increases reappeared, and it urged that deficit financing be limited and savings increased, especially in the public sector. The report suggested that such things as increased taxation, less consumption, increased productivity in the public sector, and more investment by the private sector might help to correct the inflationary sitaution. The long-run outlook for the Indian economy is optimistic. Continuation of the "Green Revolution" in the agricultural sector is expected to yield additional supplies of food and agricultural raw materials which, in turn, should lead to increased rural demand for capital goods.

Morocco's total output is expected to be unchanged in 1969, compared with the 10 percent expansion in 1968. The exceptional growth in 1968, reportedly, stemmed from a bumper harvest that year plus accelerated official investment in 1967. An annual growth target of 4.3 percent has been incorporated into the current 5-year plan (1968-72). The 1968 advance in the economy, plus a substantial expansion in the country's money supply in early 1969, prompted governmental steps to make saving more attractive and to restrict credit as a precaution against inflation. Prices from June 1968 to June 1969 had risen less than 4 percent. The country's 1969 budget has been described as cautious because it limits current public expenditures while encouraging development spending. Taxes were raised in 1969 with precautions taken to limit their effect on the cost of living.

Since agriculture accounts for nearly 60 percent of exports, supplies large quantities of raw materials to industry, and supports roughly three-fourths of the population, the government is working to improve it. For instance, it plans to increase the irrigated area from the present 500,000 acres to about 777,000 acres under the current 5-year plan. In fact, roughly one-half of the official investment is directed toward agricultural improvement. Textiles and food processing are gaining in national importance and are attracting foreign investors. For instance, such industries include those processing sugar, fruit, vegetables, and fats. In 1968, total industrial production rose between 4 and 5 percent and the increase is expected to be greater in 1969. Since Morocco is the world's leading exporter of phosphate rock, this industry is of major importance and Morocco would like to raise its production from 10 million tons to over 17 million tons by 1975, but will face strong competition from other producers. In the last 10 years, its share of the world phosphate market has dropped substantially.

Food imports fell off sharply in the last 2 years as the result of improved harvests; however, imports of oil, chemicals, fertilizers, synthetic fibers, copper, and machinery were higher. During the first half of fiscal 1969 exports, expressed at an annual rate, totaled $428 million and imports reached $533 million. This compares to $380 million in exports and $517 million in imports during the like 1968 period. Total exports in fiscal 1968

reached $426 million, compared with total imports of $543 million. Morocco's international reserves climbed from $83 million on June 30, 1968, to $128 million by the end of fiscal 1969, an increase of over 54 percent.

U.S. AGRICULTURE AND THE BALANCE OF PAYMENTS 1/

by George R. Kruer

U.S. agricultural exports reached a high of $6.9 billion in 1966 and declined in each succeeding year to $6.2 billion in 1968 (table 5). The quarterly trend of the Nation's trade is distorted due to the U.S. dock strike which occurred in the first quarter of this year. Trade in the fourth quarter of 1968 was stimulated in anticipation of the strike and, due to the length of the strike, there undoubtedly was some catching up in the second quarter of 1969 (table 6).

Although a sizable improvement in agricultural trade occurred during the second quarter of 1969 compared with the second quarter of 1968, how much of this is "real" versus how much is due to shifting as a result of the strike is not known. Agricultural exports increased by 14.1 percent over this period while agricultural imports rose by only 7.5 percent. Of the $1,690 million of agricultural exports in the second quarter of 1969, $485 million moved on a noncommercial basis and $1,205 million was in commercial sales. After deducting agricultural imports of $1,356 million, the commercial trade deficit was $151 million, $37 million less than in the second quarter of 1968.

Sales of agricultural products for local currencies under Title I of Public Law 480 have long been the major type of noncommercial export. Such sales amounted to $558 million in 1968 compared with $335 million of sales on a long-term dollar credit basis, also under Title I of P.L. 480 (table 7). However, in the first half of 1969 the credit sales totaled $264 million while sales for local currencies amounted to only $209 million (table 8). This reflects the implementation of the congressionally directed move from local currency sales and to dollar credit sales.

Realized dollar returns and savings on noncommercial exports have risen considerably since 1960, going from $171 million in that year to $314 million in 1968 (table 9). These returns peaked in 1967 when they reached $347 million. The trend is upward, although the year-to-year fluctuations have been sizable.

Commercial exports plus the returns on noncommercial exports in the second quarter of 1969 amounted to $1,308 million (table 10). This gross return was less than the $1,356-million import level and therefore agriculture's net contribution to the balance of payments in the second quarter of 1969 was -$48 million. Although negative this is a sizable improvement from the -$111 net contribution registered in the second quarter of 1968.

1/ For a discussion of the concepts and methods underlying the data presented in this section see Kruer, George R., U.S. Agriculture and the Balance of Payments, 1960-67, ERS For. 224, U.S. Dept. Agr., April 1968.

Table 5.--U.S. merchandise trade, balance-of-payments basis, 1960-68

Period and commodity group	Exports (f.o.b.)			Imports (f.o.b.)	Trade balance	
	Total	Noncommercial 1/	Commercial		Total	Commercial
	Million U.S. dollars					
Total:						
1960	19,650	2,046	17,604	14,744	4,906	2,860
1961	20,107	2,396	17,711	14,519	5,588	3,192
1962	20,779	2,503	18,276	16,218	4,561	2,058
1963	22,252	2,882	19,370	17,011	5,241	2,359
1964	25,478	3,032	22,446	18,647	6,831	3,799
1965	26,447	2,952	23,495	21,496	4,951	1,999
1966	29,389	3,152	26,237	25,463	3,926	774
1967	30,681	3,523	27,158	26,821	3,860	337
1968	33,598	3,331	30,267	32,972	626	-2,705
Agricultural:						
1960	4,835	1,377	3,458	3,894	941	-436
1961	5,023	1,454	3,569	3,756	1,267	-187
1962	5,037	1,423	3,614	3,898	1,139	-284
1963	5,584	1,538	4,046	4,044	1,540	2
1964	6,350	1,630	4,720	4,090	2,260	630
1965	6,229	1,360	4,869	4,086	2,143	783
1966	6,879	1,403	5,476	4,491	2,388	985
1967	6,381	1,324	5,057	4,452	1,929	605
1968	6,221	1,240	4,981	5,024	1,197	-43
Nonagricultural:						
1960	14,815	669	14,146	10,850	3,965	3,296
1961	15,084	942	14,142	10,763	4,321	3,379
1962	15,742	1,080	14,662	12,320	3,422	2,342
1963	16,668	1,344	15,324	12,967	3,701	2,357
1964	19,128	1,402	17,726	14,557	4,571	3,169
1965	20,218	1,592	18,626	17,410	2,808	1,216
1966	22,510	1,749	20,761	20,972	1,538	-211
1967	24,300	2,199	22,101	22,369	1,931	-268
1968	27,377	2,091	25,286	27,948	-571	-2,662

1/ Total noncommercial exports are equal to the amount of U.S. merchandise financed by the U.S. Government with international grants and credits and which involve no direct dollar outflow from the United States. Noncommercial agricultural exports are from table 3 and noncommercial nonagricultural exports are the residual.

Source: ERS statistics and Survey of Current Business, U.S. Department of Commerce.

Table 6.--U.S. merchandise trade, balance-of-payments basis, by quarters, 1967-69

Period and commodity group	Exports (f.o.b.)			Imports (f.o.b.)	Trade balance	
	Total	Noncommercial 1/	Commercial		Total	Commercial
	Million U.S. dollars					
Total:						
1967 II	7,971	933	7,038	6,573	1,398	465
III	7,197	790	6,407	6,398	799	9
IV	7,871	834	7,037	7,245	626	-208
1968 I	7,942	947	6,995	7,679	263	-684
II	8,643	897	7,746	8,199	444	-453
III	8,293	753	7,540	8,459	-166	-919
IV	8,720	734	7,986	8,635	85	-649
1969 I	7,445	627	6,818	7,335	110	-517
II	9,885	1,040	8,845	9,736	149	-891
Agricultural:						
1967 II	1,594	413	1,181	1,064	530	117
III	1,435	251	1,184	1,064	371	120
IV	1,750	298	1,452	1,144	606	308
1968 I	1,645	405	1,240	1,187	458	53
II	1,481	408	1,073	1,261	220	-188
III	1,426	183	1,243	1,341	85	-98
IV	1,669	244	1,425	1,235	434	190
1969 I	952	188	764	999	-47	-235
II	1,690	485	1,205	1,356	334	-151
Nonagricultural:						
1967 II	6,377	520	5,857	5,509	868	348
III	5,762	539	5,223	5,334	428	-111
IV	6,121	536	5,585	6,101	20	-516
1968 I	6,297	542	5,755	6,492	-195	-737
II	7,162	489	6,673	6,938	224	-265
III	6,867	570	6,297	7,118	-251	-821
IV	7,051	490	6,561	7,400	-349	-839
1969 I	6,493	439	6,054	6,336	157	-282
II	8,195	555	7,640	8,380	-185	-740

1/ Same as footnote 1, table 1 except the source for noncommercial agricultural exports is table 4.

Source: ERS statistics and Survey of Current Business, U.S. Department of Commerce.

Table 7.--Noncommercial U.S. agricultural exports, 1960-68 1/

Item	1960	1961	1962	1963	1964	1965	1966	1967	1968
	Million U.S. dollars								
Total noncommercial agricultural exports	1,377	1,454	1,423	1,538	1,630	1,360	1,403	1,324	1,240
By program:									
Title I, P.L. 480, sales for local currencies 2/	980	902	1,012	1,149	1,234	914	840	740	558
Title I, P.L. 480, long-term dollar-credit sales 2/ 3/	---	---	39	50	97	147	233	190	335
Title II, P.L. 480 grants	218	339	328	328	276	273	240	295	265
Mutual Security (AID) disposals	157	179	35	11	23	26	47	33	11
Export-Import Bank, financed from own resources	22	34	9	---	---	---	43	66	71

---Zero or less than $500,000.

1/ Those financed by the U.S. Government with international grants and credits.

2/ Excludes the value of commodities shipped under the program but paid for by initial payments in dollars. Therefore the series do not represent total value of shipments under the program, but only the value financed by the U.S. Government with international grants or credits.

3/ Includes convertible local currency credit sales.

Source: P.L. 480 program (all titles): Office of Business Economics, U.S. Department of Commerce; Mutual Security and Export-Import Bank programs: Based on data from AID and the Export-Import Bank.

Table 8.--Noncommercial U.S. agricultural exports, quarterly, 1967-69 1/

Item	1967			1968				1969	
	II	III	IV	I	II	III	IV	I	II
	Million U.S. dollars								
Total noncommercial agricultural exports	413	251	298	405	408	183	244	188	485
By program:									
Title I, P.L. 480, sales for local currencies 2/	243	137	162	261	170	61	66	36	173
Title I, P.L. 480, long-term dollar credit sales 2/ 3/	44	35	75	53	131	50	101	105	159
Title II, P.L. 480 grants	106	60	44	67	82	54	62	39	110
Mutual Security (AID) disposals	7	9	3	3	2	3	3	3e	3e
Export-Import Bank, financed from own resources	13	10	14	21	23	15	12	5	40

1/ 2/ 3/ Same as in table 3.
e--estimated.

Source: Same as in table 3.

Nonagricultural trade did not fare as well as agricultural trade in the second quarter of 1969. Nonagricultural exports increased by 14.4 percent from the like quarter of 1968, but imports increased by 20.8 percent. The result is that the trade balance declined by $409 million to a deficit of $185 million for the second quarter of 1969. Over the same period, the commercial trade balance for nonagricultural products declined by $475 million to a deficit of $740 million.

The United States registered a surplus of $149 million in total trade in all products in the second quarter of 1969 and a deficit of $891 million on products traded on a commercial basis. Overall, the U.S. balance of payments worsened significantly during the second quarter, going from a deficit of $1.3 billion in the first quarter to a deficit of $3.6 billion in the second quarter,

Table 9.--Agriculture's contribution to the U.S. balance of payments, 1960-68

Item	1960	1961	1962	1963	1964	1965	1966	1967	1968
	Million U.S. dollars								
Commercial agricultural exports	3,458	3,569	3,614	4,046	4,720	4,869	5,476	5,057	4,981
Plus: Realized dollar returns and savings on noncommercial agricultural exports	171	201	288	198	240	225	184	347	314
Title I, P.L. 480, foreign currencies used by U.S. agencies	118	148	156	160	223	183	132	225	185
Title I, P.L. 480 principal and interest repayments on dollar credit sales	---	---	---	2	5	27	39	60	43
Title I, P.L. 480 principal and interest repayments in dollars on foreign currency disbursed loans	4	7	101	27	12	13	13	15	18
Mutual Security (AID) foreign currencies used by U.S. agencies	16	15	2	1	---	2	---	---	---
Export-Import Bank principal and interest dollar repayments	33	31	29	8	---	---	---	47	68
Total agricultural dollar earnings, actual plus realized dollar returns on noncommercial exports	3,629	3,770	3,902	4,244	4,960	5,094	5,660	5,404	5,295
Less: Agricultural imports	3,894	3,756	3,898	4,044	4,090	4,086	4,491	4,452	5,024
Net contribution to the balance of payments attributable to agricultural merchandise trade	-265	14	4	200	870	1,008	1,169	952	271

---Zero or less than $500,000.

Source: Based on data from Commodity Credit Corporation, Export-Import Bank, and the Office of Business Economics, U.S. Department of Commerce.

Table 10.--Agriculture's contribution to the U.S. balance of payments, by quarters, 1967-69

Item	1967			1968				1969	
	II	III	IV	I	II	III	IV	I	II
	Million U.S. dollars								
Commercial agricultural exports	1,181	1,184	1,452	1,240	1,073	1,243	1,425	764	1,205
Plus: Realized dollar returns and savings on noncommercial agricultural exports	67	109	113	82	77	69	86	81	103
Title I, P.L. 480, foreign currencies used by U.S. agencies	46	88	48	39	49	48	49	42	55
Title I, P.L. 480, principal and interest repayments on dollar credit sales	15	4	28	11	10	6	16	14	21
Title I, P.L. 480, principal and interest repayments in dollars on foreign currency disbursed loans	6	3	4	4	4	4	6	3	3
Mutual Security (AID) foreign currencies used by U.S. agencies	---	---	---	---	---	---	---	---	---
Export-Import Bank principal and interest dollar repayments	---	14	33	28	14	11	15	22	24
Total agricultural dollar earnings, actual plus realized dollar returns on noncommercial exports	1,248	1,293	1,565	1,322	1,150	1,312	1,511	845	1,308
Less: Agricultural imports	1,064	1,064	1,144	1,187	1,261	1,341	1,235	999	1,356
Net contribution to the balance of payments attributable to agricultural merchandise trade	184	229	421	135	-111	-29	276	-154	-48

---Zero or less than $500,000.

Source: Same as in table 5.

Table 11.--U.S. balance of payments, 1965-69

Period	Balance on liquidity basis	Balance on official reserve transactions basis
	--- Million dollars ---	
1965	-1,335	-1,289
1966	-1,357	266
1967	-3,544	-3,405
1968	168	1,617
1967 II	-211	-710
III	-1,216	-20
IV	-1,879	-1,409
1968 I	-267	91
II	105	1,550
III	-408	72
IV	738	-75
1969 I	-1,258	1,710
II	-3,647	1,214

Source: Department of Commerce, Survey of Current Business, June 1968 and March 1969.

both on the liquidity basis (table 11). These sizable quarterly deficits represent an abrupt shift from preceding quarters, but are largely due to technical accounting procedures used in recording capital flows.

Preliminary third quarter data show that the deficit on the liquidity basis was about $2.9 billion, an $800 million improvement from the second quarter. The balance on the official reserve transactions basis moved to a deficit position of $1.0 billion in the third quarter. This represents a worsening of $2.2 billion from the second to the third quarter.

THE ROLE OF REGIONAL DEVELOPMENT INSTITUTIONS IN IN AGRICULTURAL FINANCE

by Gabrielle R. Jolemore and George R. Kruer

The financing of agricultural development is the concern of many types of institutions and is not confined to national governments. Development institutions may be global, regional, national, or local in scope. By type, they may be official, semi-official, or private.

On a global level, but excluding most of the communist nations, the major sources of agricultural finance have been the International Bank for Reconstruction and Development (IBRD), commonly known as the World Bank, and the International Development Association (IDA). Of total resources committed by each through FY 1969, the World Bank had devoted 9 percent and the IDA 18 percent to agriculture and related activities. The combined commitments of the Bank and IDA to that sector totaled 10 percent through FY 1969. On a national or local level, nearly every developing nation has established, or is contemplating, an official or privately-operated development institution. The small island of Barbados, for example, has possessed a statutory development bank since 1964, and has recently established a development corporation to complement that banks promotional work.

This report surveys financial institutions, both public and private, which operate between these two extremes; that is, their geographical interest is less than worldwide in scope, but covers more than one country and includes the agricultural sector in its sphere of operations.

Objectives of Regional Financial Institutions

Regional development banks and financial institutions, like their global counterparts, do not usually engage in short-term lending nor do they perform the services traditionally associated with banking institutions. They might properly be labeled "long-term development finance institutions" because, by various means, they promote public and private development in the various sectors of the economy.

Regional development banks and financial institutions not only finance, but also direct and stimulate agriculture and industry to quicker and more useful growth in developing areas. Thus, they play a central role in economic development.

The first objective of regional financial institutions in promoting rural growth has been to finance diversification in agriculture, particularly in areas dependent upon only one or two primary products for earning foreign exchange. More recently, loans are being made to promote the production of new commodities which have better long-range marketing prospects. This strategy has helped to reduce reliance on products subject to wide world price fluctuations and has led to a broadening of the rural economy's base.

Regional institutions are also attacking agricultural problems through vertical and horizontal expansion--by extending resources to improve marketing and port facilities and by supporting secondary industries within the region.

A third objective is to improve the long-run technological capability of the agricultural sector. The financial institutions recognize that agriculture depends on technical change for progress as much as any other sector of the economy.

The Need for Regional Development

Recognizing their inadequate financial resources, developing nations are looking through a wide-angle lens at the most crucial problems of the rural sector--some of which are not confined by national or local boundaries. Drought, water conservation and distribution, insect pests, famine, insufficient market and port facilities and inadequate access roads are among the integral problems which have multinational financing and cooperation to solve. Regional development institutions, an outgrowth of cooperative attempts to eradicate these common ailments, are comparative newcomers to the field of financial and technical assistance.

An example is the Inter-American Development Bank (IDB) and its involvement in a study concerning the integrated development of the River Plate Basin in Latin America. This project, involving Argentina, Paraguay, Uruguay, Brazil, and Bolivia, could open up vast underdeveloped areas through irrigation, drainage, and deepened waterways to mutually benefit them. Until the IDB entered

the picture, these countries had not been able to achieve agreement on the project. Now they are beginning to consider the potential of the entire Basin.

Another example is an Asian Agricultural Survey sponsored by the Asian Development Bank. The study was made to provide the basis for developing a viable agricultural sector for the entire area. Growth of regional financial institutions is thus the result of the inability of individual countries to finance development through existing local institutions and the necessity to coordinate multicountry projects.

U.S. Participation

U.S. policies have undoubtedly encouraged the establishment of these regional organizations. Most of the institutions have followed the "self-help" principle, which is now conditional for U.S. bilateral assistance, by eliciting wide financial support from regional member countries. The United States has contributed 15 to 60 percent of total capital resources of regional financial institutions and has participated in loans fron international organizations. It has also supplied personnel and capital in the form of loans and grants for technical assistance projects undertaken by the regional institutions. The United States agreed to make a technical assistance grant of $250,000 available to the Asian Development Bank for feasibility studies and to support that organization's technical assistance operations. Furthermore, it is possible that the United States can provide regional organizations with more support in this field by utilizing U.S.-owned excess local currencies generated under P.L. 480. These currencies could be used for salaries of technical experts and for technical missions and feasibility studies, with payments made in the currency of the country involved.

The Institutions

Discounting those organization not fully operational, regional institutions studied in this report have devoted an estimated 20 percent of their lending resources to agricultural development and roughly 27 percent to such related sectors as transportation, food and textile industries, and marketing. Although the amount of agricultural assistance channeled through regional development institutions has been relatively small, these institutions are beginning to play an important role in making credit available on an area-wide basis. An outline of the institutions themselves and their contribution to the agricultural sector is given below.

The Inter-American Development Bank (IDB) was the first institution to cover development of an area as large as a continent. The IDB, organized in 1959, is one of the older regional institutions and its operations have been large and varied. Membership in it has been extended to most North and South American countries, the main exception being Canada. Since the IDB might well serve as a model for some of the newer institutions, its operations and structure are examined in considerable detail.

The Bank has four sources of funds. Ordinary capital resources come from paid-in capital and from borrowings made in the world's capital markets at prevailing market interest rates. Loans from this source are "hard" loans repayable in the currencies lent. During 1968, loans were made at a basic interest

rate of 7-3/4 percent, plus some service charges and commitment fees. The interest rate on lines of credit to finance exports of capital goods was 6½ percent. Loans from ordinary capital resources amounted to $193.6 million in 1968 and the cumulative 1959-68 total was $1,081.7 million. Capital resources of the fund at the end of 1968 were as follows: Paid-in capital, $475.0 million; callable capital, $2,175.0 million; borrowings on the world markets, $632.3 million. In effect, the callable capital is a guarantee for the Bank's security issues. The Bank had sold participations, without guarantees, in its ordinary capital loans of $46.2 million by the end of 1968. The fund's reserves from net earnings and a 1-percent special commitment fee amounted to $60.0 million.

The Fund for Special Operations (FSO), which is managed separately, provides loans on less strict terms that are determined by the balance-of-payments position of the country, the ability of the project to earn foreign exchange, and the period likely to elapse before the project shows an economic return. More formally, the FSO makes loans on terms and conditions to meet certain circumstances arising in specific countries.

Loans from the FSO during 1968 were made at interest rates varying from 2½ to 4 percent, depending on the project, plus a service change of three-fourths of 1 percent when required. The $210.1 million loaned that year brought the cumulative total since inception to $1,169.8 million. The FSO's resources at the end of 1968 consisted of $1,920.3 million in paid-in contributions and $401.2 million in contributions payable in 1969, for a total of $2,321.4 million. The Fund's general reserves from net earnings at the end of 1968 amounted to $10.7 million.

A third lending source is the Social Progress Trust Fund (SPTF) created by the United States and the Bank in 1961 as the medium to channel Alliance for Progress funds. The Bank is authorized to make loans for land resettlement and improved land use, housing for low-income groups, higher education and advanced training, and community water-sanitation facilities. In addition, the Bank was authorized to provide related technical assistance. Repayment of loans is made in local currency and the repaid funds are available for relending. The total amount made available since 1961 was $525 million. Virtually all of this had been committed by the end of 1965. At the end of 1968 commitments totaled $498.7 million. Repayments of SPTF loans are currently being used to take participations in FSO loans. These participations amounted to $17.5 million in 1968 and the cumulative total at the end of 1968 was $25.5 million. Technical assistance grants and loans are still being made from the SPTF, but in relatively small amounts.

The fourth source of capital consists of special funds which are set up by nonmember countries for Latin American development. Administered by the Bank, these funds have been established by Canada, Sweden, West Germany, and the United Kingdom. Canada has made available $46.3 million for interest-free loans of up to 50 years. The Bank does, however, charge a commission of one-half of 1 percent annually for services rendered. Loans of $17.3 million were made from the Canadian fund in 1968; the cumulative total at the end of the year was $36.9 million. The German fund, for use in rehabilitating Bolivia's national tin mines, provides 10-year loans at 4 percent interest. No new commitments were made in 1968 and at yearend the total committed was

$8.2 million. The United Kingdom fund was for $9.9 million to be lent at varying interest rates for periods ranging from 15 to 25 years. Two loans aggregating $4.9 million were authorized during 1968. The entire $5.0 million in the Swedish fund was lent in 1968 to help finance the Sao Paulo water project. The loan is for 25 years at 2 percent interest. By the end of 1968 the aggregate resources made available to the Bank through these funds came to $69.5 million, of which $55.9 million had been committed. Loans made during 1968 amounted to $27.2 million.

Considering resources from nonmembers, it is well to remember that the Bank draws on other countries by issuing Bank securities in their capital markets or to commercial institutions and by selling participations. The size of these transactions was previously discussed under ordinary capital resources. There is also some parallel and independent financing provided by Canada and the Netherlands which is intended to finance their export of capital goods to Latin America.

In March 1969, the Vatican announced that it was setting up a development fund for Latin America, with an initial outlay of $1 million. The IDB will administer the fund from which interest-free loans up to 50 years will be made for agrarian, social, and economic reform in Latin America. The initial Vatican contribution is to be used for agricultural projects in Colombia.

In the first 8 years of its operation (1961-68) the IDB's total commitments to Latin America from all its sources reached $2.8 billion, or about one-fourth of all international public financing for specific projects in that area. That Bank supplied more than 50 percent of all external financing related to agriculture. Over the 1961-68 period more than $630 million, or about 23 percent of total Bank loans was directed specifically toward agricultural development (table 12).

About 30 percent of IDB loans in 1967 were devoted to agriculture. This share totaled $154 million, up $46 million from 1966. However, the agricultural sector accounted for only $75 million or 17 percent of total amount loaned in 1968, a 50-percent reduction from 1967. IDB loans to Latin America totaled $430 million in 1968. Of agriculture's share during 1968, $39.2 million went to Mexico for irrigation projects and $5.3 million to Chile and Paraguay for foot-and-mouth disease control and eradication. The remainder was lent to a number of countries for many projects. Loans to the agricultural sector have been made for a variety of projects, but mainly to encourage diversified production--particularly in areas dependent on one or two primary commodities--and to encourage new products in some areas--notably African palm oil and poultry.

One of IDB's major policy objectives in lending for agricultural development is to help countries achieve a 5-percent annual growth rate in farm output. This is necessary in order to attain the goal set by the Alliance for Progress of an overall growth rate of 2.5 percent per capita. It is hoped that expanding rural markets for goods and services will further the rise in farm income and, in turn, promote industrial development.

Private enterprise in Latin America has accounted for a significant portion of the Bank's loans. One method of such assistance has been by providing loans to development banks and credit agencies for relending to private small to

medium-size farm and industrial enterprises, thus helping to broaden the private sector's base in the region. Of course, many loans have been made directly to private industrial and agricultural firms.

The Central American Bank for Economic Integration (CABEI, or by its Spanish initials BCIE) is closely connected to the integration movement of the five countries which make up the Central American Common Market--Nicaragua, El Salvador, Guatemala, Honduras, and Costa Rica. The agreement establishing the Bank was signed on December 13, 1960, by the first four countries. Bank operations began in September 1961. Costa Rica adhered on July 23, 1962, although formal membership was not finalized until 1963.

CABEI's mandate is quite broad. As stated in its charter "it is to promote economic integration and balanced economic development of the member countries." In furthering economic integration the following type investments were to be stressed:

(1) infrastructure projects to complete existing regional systems and to counterbalance disparities in basic sectors,

(2) long-term industrial projects of a regional nature which would increase goods available for intra-Central American trade and for export,

(3) co-ordinated agricultural projects to increase farm production efficiency and to increase regional self-sufficiency,

(4) projects for expanding or modernizing industrial enterprises to improve efficiency and thus expand trade,

(5) projects for financing services vital to the operation of the Common Market, and

(6) other projects calculated to create economic compelementarity and increase trade among member countries.

Loans are to be justified more on the basis of benefits to the region than to a specific country. The Bank may, with certain limitations, make loans, extend its guarantee to debt instruments of public and private companies, or invest in private stock companies by purchasing their bonds or stock.

The Bank has numerous sources of funds. They include authorized capital, profits, contributions, loans from other development institutions, short to medium-term credits from private banks, trust funds which it administers, and the issuance of securities. At the Third Ordinary Meeting of the Governors of the Bank in San Salvador held December 9-11, 1963, the Central American peso (1CA peso = $1US) was adopted as the currency unit to be used in the publication of Bank operations. The Bank's initial authorized capital was $16 million, comprised of $4 million from each initial signatory, payable in local currency. One-half of the amount was to be paid within 14 months and the rest was to be callable by decision of the Board of Governors. Authorized capital was increased to $20 million with the adherence of Costa Rica.

At an April 1965 meeting of the Board of Governors, it was resolved to increase the authorized capital from $20 million to $40 million. Each of the five countries was to contribute $4 million. A further increase of $20 million to $60 million was agreed upon in January 1969. The increase is to be contributed in equal parts by the five members. From its inception through June 30, 1967 CABEI had made $45 million of industrial loans and financed $4.9 million of infrastructure projects. By the end of 1968, the IDB had lent the CABEI $42.2 million, of which $10.0 million was from ordinary capital resources, $28.7 million from the Fund for Special Operations, and $3.5 million from the Canadian fund.

The Central American Fund for Economic Integration (CAFEI, or the Spanish order, FCIE) was established on April 10, 1965, by the Board of Governors of CABEI. The Fund stems from the Declaration of Central America, signed on March 19, 1963, in San Jose, Costa Rica, by the presidents of the Isthmus countries, including Panama, and the United States. This Fund was specifically created to emphasize infrastructure works by furthering economic integration and balanced development in Central America. The CABEI administers CAFEI. As originally set up, the Fund was to have a capital of $7.0 million, contributed by the five members in their respective currencies, and a $35-million loan from the United States. The U.S. loan agreement was formally signed on July 19, 1965. The CABEI made a CA$100,000 contribution to the Fund in December 1963.

In March 1968, countries in the Caribbean area agreed to establish a regional development bank similar to that established in Asia and Africa. The Caribbean Regional Development Bank will finance projects of particular interest to the smaller areas of the Caribbean as well as those which would benefit the entire region. The Charter of the Bank was signed on October 18, 1969. A major requisite to the creation of this Bank is adequate financial participation by developed countries and international financial institutions (especially the IBRD and IDB). The authorized equity capital is $50 million, of which the non-regional members, the United Kingdom and Canada, contributed $10 million each, or 40 percent of the total. The capital is to be supplemented by a special development fund, from which soft loans on concessional terms may be made.

In view of the Caribbean Island's orientation toward a predominantly agrarian economy, agricultural projects will almost certainly be a primary target; the countries involved are particularly interested in livestock development programs.

A somewhat different organization, though one with many characteristics of a regional development bank, is the Atlantic Community Development Group for Latin America (ADELA), a multinational investment company. This private undertaking was established in Luxembourg in 1964 to assist private enterprise in Latin America by identifying investment opportunities and by developing, financing, and managing projects when necessary. It, in effect, provides seed capital for the projects. The authorized capital of $50.0 million is subscribed by organizations in 19 countries. ADELA was the recipient in 1966 of a $10.0 million loan from the Inter-American Development Bank for projects in Latin American member countries.

During fiscal year 1967/68 the group approved investments totaling $26.5 million, about 18 percent of which were for pulp and paper enterprises.

Agriculture, fishing, and food processing accounted for $4.0 million, or 15 percent of total investments.

ADELA works in partnership with other international organizations and with private investors, companies, and financial institutions in Latin America and elsewhere. It has not only invested in industrial projects but also in local development finance companies in several Latin American countries. By March 1969 ADELA had $350-million worth of projects in the development stage in such major fields as tourism, forestry, agriculture, food processing and distribution, and export industries of the manufacturing sector. During the first four years of its existence ADELA sponsored and participated in about $800 million of new investments in Latin America.

Another Latin American development group is the newly established Andean Development Corporation (ADC), designed to promote economic integration and development among the signatories--Chile, Colombia, Ecuador, Peru, and Venezuela. Bolivia joined the group in 1967 and the Corporation was formulated by the group that year. A formal agreement to establish the Corporation was signed on February 7, 1968.

The Corporation officially opened for business on that date in Caracas, with authorized capital stock of $100 million, of which $25 million was subscribed immediately. Colombia, Chile, Venezuela and Peru subscribed $5.5 million each, while Bolivia and Ecuador contributed $1.5 million each.

ADC is presently carrying out studies on regional investment opportunities, the financial requirements for multinational projects, the emission of bonds, the concession of loans and guarantees, and the promotion of financial and technical assistance. In particular, the Corporation intends to provide financial assistance for the larger industrial projects which prove feasible within member countries. It is not known as yet to what extent ADC's activities will cover agricultural development.

Formally opened for business in December 1966, the Asian Development Bank (AsDB) represents a unique attempt at Asian and world partnership to finance Asian development. The first order of business of the Bank has been:

> "emphasis on the critical need to stimulate the development of agriculture in this region, particularly the immediate imperative of increasing food production in the face of mushrooming population growth. For the longer run, the development of agriculture can be seen as the first phase in a well-ordered program of diversified economic development; a program designed to effect the transition from Asia's traditionally agro-based economies to one which is truly well-balanced, including a healthy industrial sector."1/

The Bank initiated its operational activities by launching the Asian Agricultural Survey. This survey, completed in March 1967, highlighted the needs

1/ From an address by Takeshi Watanabe, President, Asian Development Bank, Manila, July 11, 1967.

of the region and provided the general framework for the Bank's future operations in the agricultural sector.

Like the IDB, the Asian Development Bank believes that developing countries must sustain at least a 5-percent annual growth rate in agricultural production. This growth can be achieved only by modernizing regional agriculture through public policy and combined public-private investment. The Bank hopes to be part of this process through its loan and guarantee activities.

The United States and Japan each contributed $200 million to the AsDB's capital fund. Japan has already given an additional $20 million to a special agricultural fund and may add $20 million to the soft loan pool. Canada has pledged $25 million to the multipurpose fund.

After an initial gestation period in which not many loans were made, the AsDB has become much more active in recent months, making numerous loans for agricultural projects in member countries.

The African Development Bank (AfDB), which legally came into existence in August 1964, was developed primarily through the efforts of the Economic Commission for Africa, an institution of the United Nations. Authorized capital is $250 million and all independent African states, except South Africa, are eligible for membership. Total subscriptions stood at $53.3 million in August 1968. Unfortunately, unlike the IDB and the Asian Development Bank which have nonregional members, the AfDB has no capital-exporting countries among its members. All of the AfDB members need capital themselves and have no immediate source of outside funds. The World Bank, however, is cooperating with the AfDB, and may be a future source of external financing. There are also indications that advanced overseas countries have responded favorably to AfDB plans for forming an African Development Fund to provide loans on concessional terms. The United States may provide $60 million over a 3-year period, but not more than 40 percent of the total fund.

In general, the functions of the AfDB are to finance economic and social development projects, particularly those concerning several member countries, and to provide technical assistance in the study, preparation, financing, and execution of these projects. To the extent it is able to mobilize available resources from African countries and outside Africa, the Bank has an excellent potential for aiding in both the agricultural and industrial growth of the continent.

The Kuwait Fund for Arab Economic Development was set up by the government of Kuwait in 1961 to assist development programs in other Arab countries. Capital of $560 million has been provided from Kuwait's overseas assets and supplemented by proceeds from oil revenues. Lending limits of the Fund can be doubled by issuing bonds.

The Fund makes long-term loans for production projects and provides technical assistance if requested. The rates of interest charged are generally lower than those prevailing in the borrowing countries, and particularly favorable terms are extended for irrigation works, agricultural projects, and to development agencies assisting small-scale industry. By the end of 1965 the Fund had committed $111 million.

In 1967, Arab Economic Ministers approved the establishment of a regional institution, the Arab Development Fund, which is modeled after the Kuwait Fund The proposed initial capital would be $280 million, of which Kuwait would contribute $84 million. If this Fund materializes, it will become the principal development financing organ of the Arab Common Market..

The European Development Fund (EDF) is the main instrument of cooperation between the European Economic Community (EEC) and its associated states. The EDF, an implementing convention annexed to Part IV of the Rome Treaty of 1958, was valid until 1962. Aid given during the first EDF period amounted to $581 million. During 1953-62, the associated states became independent but their desire to continue their ties with the EEC led to the Yaounde Convention and the signing of a new Association Convention Agreement in July 1963 at Yaounde, Cameroon. This new agreement provided for a second EDF with capital of $666 million for use in the 18 associated African countries. Of this amount, $620 million was to be in the form of grants. Another $64 million was made available to the EDF for use in dependent territories of the Community countries.

Presently, the EDF provides financing almost entirely in the form of grants for welfare and infrastructure projects to dependent territories and colonies and to former colonies now independent associates of the EEC. Apart from outright grants, the Fund can make special loans at low interest rates (about 1 to 3 percent) up to 40 years. It can also make short-term advances to stabilization funds. As in virtually all developing countries, the economies of the associated states depend mainly on agriculture. Therefore, it is logical that the agricultural sector be a major recipient of funds. Under the first EDF, 25 percent of total resources were committed to agricultural production and rural modernization and over 40 percent were devoted to improving the economic infrastructure--roads, railways, port facilities, telecommunications--and thus indirectly to improving agriculture (table 13). By the end of 1968 under the second EDF, roughly 45 percent of the $581 million of resources committed were for rural modernization and 38 percent for infrastructure. By May 30, 1969, total commitments under the second EDF had risen to $623 million.

The European Investment Bank (EIB), with subscribed capital of $1 billion, is another agency of the EEC. The main purpose of the EIB is to finance projects, public or private, in the less-developed areas of the EEC, including associated territories. The Bank's initial capital was to be 25 percent paid-in, one-fourth in gold and three-fourths in national currencies, and the remaining 75 percent was callable. These resources can be augmented by borrowing on the international capital markets in member and nonmember countries.

The Bank makes loans and issues guarantees. It only participates in financing projects along with funds from other sources. It is not to be the only supplier of funds, and neither acquires capital participation in the business helped nor assume any management responsibilities. Funds are lent at those rates necessary to cover borrowing costs, pay overhead charges, and provide for necessary reserves. The repayment period varies with the individual loan and ranges from medium-to long-term. Provision is made for a grace period approximating the construction and establishment period. Projects in all economic sectors are open to the Bank's financing and guarantee operations.

Table 12.--Inter-American Development Bank, sectoral distribution of loans

Distribution	1967		1968		1961-68	
	Million dollars	Percent	Million dollars	Percent	Million dollars	Percent
Agriculture	153.7	31.0	75.1	17.4	632.7	22.6
Industry and mining	88.4	17.8	58.4	13.6	541.4	19.4
Water supply and sewage systems	45.0	9.1	26.8	6.2	420.9	15.0
Economic infrastructure	148.2	29.9	209.0	48.5	685.8	24.5
Housing	13.8	2.8	26.0	6.0	311.8	11.1
Education	35.9	7.2	9.4	2.2	110.5	4.0
Preinvestment studies	6.3	1.3	10.0	2.3	61.2	2.2
Export financing	5.1	1.0	16.1	3.7	33.6	1.2
Total	496.4	100.0	430.8	100.0	2,797.9	100.0

Source: Inter-American Development Bank, Annual Report, 1967, p. 6, and Annual Report, 1968, p. 5.

Table 13.--European Development Fund commitments by economic sector, as of January 1, 1969

Sector	First EDF 1958-62		Second EDF June 1964-Dec. 1968	
	Mil.U.S.dol.	Percent	Mil.U.S.dol.	Percent
Rural modernization	143.8	24.8	261.6	44.9
Infrastructure	256.0	44.0	220.9	37.7
Education & training	115.3	19.9	58.2	10.0
Health	51.2	8.8	26.8	4.6
Industrialization	4.1	0.7	7.3	1.3
Miscellaneous	10.8	1.8	6.3	1.5
Total	581.2	100.0	581.1	100.0

Source: Commission of the European Communities, Spokesman's Group, Information Memo, Brussels, January 1969.

Table 14.--European Investment Bank: Breakdown by economic sector of ordinary and special loans as of December 31, 1967

Sector	Number of projects	E.I.B. loans	Share of total value
		Mil. U.S. dol.	Percent
Agricultural development	12	131.8	13
Energy	18	149.3	15
Telecommunications	3	40.1	4
Transport	21	273.7	28
Industry	132	382.5	40
Food	(17)	(27.1)	(3)
Port equipment	1	1.0	--
Total	187	978.4	100

Source: European Investment Bank Annual Report, 1967, p.22.

In roughly 10 years of operation, from January 1958 to December 1967, 53 percent of the $978.4 million in ordinary and special loans went to projects in Southern Italy and Sicily. Over half of these loans relate to development of a particularly depressed area of Sicily and to the modernization of road and railway infrastructures. Through the end of 1968 only $131.8 million (13 percent) of the Bank's total commitments were to the agricultural sector (table 14). Financing an agricultural equipment project in France helps to develop one of its regions. By 1967 Greece and Turkey had received 8 and 11 percent respectively of total loans from EIB. One operation financed part of an irrigation program that is an objective of the Agricultural Development Plan of Greece. The associated African states have received less than 5 percent of the Bank's assistance.

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